E. 98.

816. m. 10
74

A LETTER TO A Gentleman in the Country,

Giving an Account of the

Two Insurance-Offices;

THE

Fire-Office & Friendly-Society.

YOurs of the 15th Instant I Received; and that I might return a Satisfactory Answer, I have perused the Settlements of both the Offices: That of the **Fire-Office**, and that of the **Friendly Society**; and have sent you the Printed Papers of both, with the Observations I have made:

I. *Upon the Validity of their Securities.*

II. *Their Interest to preserve the Insured from Fire.* And

III. *The Charge of Insuring.*

The Fund or Securities are these: That of the **Fire Office** is Ground Rents [Now] to the Value of *Fifty Thousand Pounds*, setled upon Trustees, to make good all Losses from Fire; and to be Increased, as the Number of Houses **Insured** Increase.

The Strength of this Security stands upon this Supposition, That the Fund is so Large, considering the Houses **Insured** are dispersed at several distances, That it is very improbable (unless the whole City be Destroyed at once) that any Los at One time should exceed the *Fund*; and then it will be alwayes the Interest of the **Insurers** (as of men that have Morgaged their Land for less than the Value) to pay the Debt when called for, to prevent a greater Los, since the Land is of more Value than the Debt.

The Security of the **Friendly Society**, is the mutual Covenants between the **Insured** and **Insurers**: The Design is thus framed. The **Insured** deposite into the hands of the **Insurers**, *Six Shillings Eight Pence*, for Insuring *One Hundred Pound* on a Brick House, and double for Timber; and Covenant to pay the residue of their *Premiums* when there shall be occasion, not exceeding *Thirty Shillings* for *One Hundred Pound* on a Brick House, and double on Timber, at one Los. Upon Condition, That after such a Los to be at Liberty to go off from the *Society*: Also they Covenant to pay *Sixteen Pence per Annum* for every Hundred Pound **Insured** on a Brick House, and double on Timber, for the **Insurers** trouble and charge of *Holding Stakes, Collecting the Money*, and *Executing the*

 Office,

Early English Books Online, Copyright © 2019 ProQuest LLC
Images reproduced by courtesy of British Library

Office, under a penalty of *Loſing their Money depoſited*; with the *Benefit of being after* Inſured; and to be *Caſheired out of the Company*, if they do not pay their Rent within the time limitted.

The Inſurers Covenant with the Inſured: And becauſe they are Truſted with Money, give *Collateral Security*, to the Value of *Sixteen Thouſand Pounds* to perform theſe Covenants.

1. To pay the Loſs out of the Money depoſited in their Hands, and Covenanted to be paid by the Inſured, if it be ſufficient.
2. To make a proportionable *Rate*, *Collect* the *Money*, and Anſwer for all thoſe that are *Miſſing*, or prove *Inſolvent*.
3. At the end of the Term, to pay back what is left in their Hands, (except the Yearly Rent) to each of the Inſured.

The Strength of this Security ſtands upon this Suppoſition, That the *Premiums* depoſited, and agreed to be paid by the Inſured, are more than ſufficient to pay the Loſs: And therefore there is no proviſion made to pay thoſe Loſſes which may at one time exceed the *Premiums*: For the *Sixteen Thouſand Pounds is not Security for the Loſſes from Fire, but only for the Inſolvent.*

The Inſuring of Houſes being a New Deſign, it is impoſſible to make a certain gueſs of the Strength of this Suppoſition; but that I might give you ſome Satisfaction, I have Examined its Foundation, by Enquiring into the *Profits* and *Loſs* of the Fire Office, ſince their firſt Beginning, which I find thus:

That the Fire Office in Three Years hath Inſured Four Thouſand Houſes; And the *Premiums* of one Houſe with another, do Amount to about *Four pound ten ſhillings* the Houſe: Which in the Total, is *Eighteen Thouſand pounds*, and they have already paid Back for Loſſes above *Seven Thouſand pounds*, beſides Charges.

By which it is plain, That they have Repaid almoſt half the *Premiums*, before a Fourth part of the Terms (the Houſes are Inſured for) are Expired: For ſome Houſes are Inſured for *Seven*; ſome for *Eleven*; and ſome for *One* and *Twenty* Years. This Calculation, any man that will Examine their Policy Books, will find to be True.

So that by what hitherto appears, its moſt probable, that the *Premium* will not be ſufficient to pay the Loſſes; and that this Deſign ſeems to be Fram'd upon the imaginary Succeſs of the Fire Office, incouraged by the common preſumption generally believed, *That men never Set Up a New Invention without Hopes of a great advantage to themſelves*; and not remembring how often the firſt undertakers are miſtaken.

But ſuppoſing the *Premiums* ſhould be more then ſufficient to pay the Loſs; it doth not appear to me, that any man is Inſured for any certain term by the Friendly Society: For how can any man be Inſured for *Seven* years, which is a term Certain, when the number of thoſe that are to pay the Loſs is Uncertain?

1. From the *Forfeiture* for Non-payment of Rent.
2. From the *Loſſes* occaſioning many to go off.
3. From the daily *Expiration* of the Terms after the firſt *Seven* years.

So that tho' the number be ſufficient, when a man firſt Inſures. By all, or any of theſe *three* Accidents, there may be too few left to pay the Loſs.

And this Argument ſeems to me to have the greater Force, becauſe the Fire Office that was firſt Set Up

Gives *Better Security.*
Better *Preſerves the Inſured from Fire.* And
Inſures *At a Cheaper Rate.*

Which when Underſtood by thoſe of the Friendly Society, It is reaſonable to believe, many of them may alter their minds and go off.

Firſt, The Fire Office gives Better Security, becauſe Land was ſetled at firſt to the Value of *Thirty Thouſand Pounds*, to make good the Loſs, before a penny *Premium* was received; and the *Premiums* are ſetled in Proportion as the number of Houſes Inſured increaſe. But in the Friendly Society you have only the *Premiums* for Security.

Secondly

Early English Books Online, Copyright © 2019 ProQuest LLC
Images reproduced by courtesy of British Library

Secondly, The *Older* the **Fire Office**, The *Better*; but the **Friendly Society**, The *Older*, The *worse*: for every Loſs that happens to the **Friendly Society** being paid out of the *Premiums*, Leſſens the Security: The Security is not ſo Large, when every man hath paid *Ten* or *Fifteen Shillings* a man towards a Loſs as before: for tho by the Covenant, that a man is not at Liberty till after he hath *Paid his Thirty Shillings at one Loſs*, the Security is the Better to Thoſe whoſe Houſes Are Burnt: Yet it is the Worſe for Thoſe that are Not Burnt; for they run the hazard of Loſing the Value of their Houſes and More, by paying *Nine and Twenty Shillings* a time, or leſs, towards Other mens Loſſes. Now both being Inſured, it is the ſame thing whether their Houſes be Loſt by *Fire*, or by contributing to Others Loſſes.

But on the contrary, when a Loſs happens to the **Fire Office**, It is paid out of the Bank of the Office: And the Land [which is the Fund] is never the Leſs; but the Older the Office grows, the Better; for as the terms of **Inſuring** wears off, the Land is leſs Incumbred; and the Security is the Better to thoſe that continue.

Secondly, In the **Fire Office** the **Inſured** are better preſerved from *Fire*, than in the **Friendly Society**: *It is more the Intereſt of the* **Inſurers**: Becauſe the Loſs is their own; and experience hath already ſhewn, how great the advantage is to the **Inſured**, from thoſe Induſtrious men they keep to Extinguiſh the Fires; like Old Diſciplin'd Souldiers, that do greater things, then *Ten* times that Number of Raw and Unexperienced men.

But in the **Friendly Society**, *the Loſs is Paid by the* **Inſured**; Therefore the **Inſurers** cannot probably have ſo much damage when a *Fire* happens, as will equal the charge of keeping men to preſerve their Houſes; for they only run the hazard of paying for the *Inſolvent:* now it is but a ſmall ſum of Money that the **Inſured** Covenant to pay: Who are generally owners of Houſes: And the obligation not longer than for a year: (for it is not to be ſuppoſed, that the Office ſhould pay for any after they have forfeited their Intereſt;) *So that the Hazard is but to pay the Overplus of what is not Depoſited in their Hands, if the Loſs exceed it*, which cannot be conſiderable.

But if it ſhould; They may (as ſometimes the Pariſh Aſſeſſors) Rate thoſe that are *Solvent* ſomething the more, to pay for thoſe that are *Inſolvent*: for conſidering the terms will daily expire. The many forfeitures and fractions, that muſt ariſe from the diſproportion of the *Premiums*, No account can be made ſo plain as to diſcover it, or at leaſt ſo eaſily, as to be worth any mans time to enquire into it to ſave a Shilling or two. So that tho thoſe Gentlemen that now keep The Office, are men of that Known Worth and Honeſty, as never to be ſuſpected; yet by their death it may happen into ſuch mens hands, as may gain by every *Fire*.

Thirdly, The **Fire Office** Inſures at a Cheaper Rate; for in the **Friendly Society**, you are obliged to pay *6 s.* 8 *d.* down for a *hundred Pound* in Brick, and double for Timber; and Covenant to pay your proportion of all the Loſſes within the term of *ſeaven years*, *not exceeding Thirty Shillings per Hundred Pound, and Double for Timber for one Loſs, at one time:* So that if at ſeveral times the Loſſes amount to *Ten* times *Thirty Shillings* or more, in the *Seaven* years; you are obliged to pay it. And as the Chance at preſent appears, (by the Account of the **Fire Office**) it is more probable the Loſs may Exceed *Thirty* Shillings, then be leſs. Therefore ſuppoſing *Thirty Shillings* for *Seven* years the medium; and *Nine Shillings Four Pence* for the *Seaven* years Rent; and Half a Crown for the Policy, makes in the *Total Forty One Shillings Ten Pence*, for **Inſuring** of an *Hundred Pound* on a Brick Houſe. Whereas in the **Fire Office** you may **Inſure** the ſame ſum, for the ſame term of years, for *Five and Twenty Shillings*, and *Two Shillings* the Policy; which is *one Third* Cheaper.

To Conclude, the **Friendly Society**, is a more *Profitable* deſign, than the **Fire-Office**, for the **Inſurers**: For they have the uſe of about a fourth part of the *Premiums*; And a yearly Rent, which is better than Intereſt for the remainder; with the running little or no hazard.

But the **Inſured** are juſt in the ſame Condition or rather Worſe than if they had not **Inſured**: For *What ever the Loſs be*; *It muſt be Paid, if ever, by the* **Inſured**, *who are Owners of the Houſes*; And then it is the ſame thing whether paid by Contribution, or Parternorſhip, or by every mans paying ſingly for his own. For what is ſaved by the Contribution, is loſt by increaſe of the Hazard.

For

Early English Books Online, Copyright © 2019 ProQuest LLC
Images reproduced by courtesy of British Library

For ſuppoſing that there are *One Hundred Thouſand* Houſes in this City, or within the Bills of Mortality, and *One Thouſand* of them are *Inſured* by the **Friendly Society**; It is then but a Hundred to One, when any Fire Happens, that ſome of the *Inſured Houſes* are Burnt. And at the ſame time is one Hundred Thouſand to One againſt any particular mans Houſe *Not Inſured*, that it is *Not Burnt*; So that it is an Equal Chance, That the whole *Thouſand Houſes Inſured* Are Burnt, as ſoon as any particular Houſe *Not Inſured* is Burnt: For a *Thouſand Hundreds* to *One*, makes *One Hundred Thouſand* to *One*. As in the *Lottery* of the *Royal Oak*, It is an equal Chance, That a *Quarter Figure*, which is *Eight* to *One*, ſhould Turn Up four times, as ſoon as a *Whole Figure* once, which is two and Thirty to One. For Four Eights makes Two and Thirty.

Now to make an Inſtance of this *Inſurance*; Suppoſe *Three Hundred & Ten* Brick Houſes in a Town, worth, one with another, *One Hundred Pound*; Of which number Three Hundred *Are Inſured* by the **Friendly Society**, and Ten are *Not Inſured*: And ſuppoſe it an Equal Chance, That Ten Houſes may be every year Burnt. In one Month Four Houſes are Burnt, which *were Inſured* at Three Hundred Pounds; So that by Twenty Shillings a Houſe, among Three Hundred, the Loſs is paid. Another Month Two Houſes *Inſured* at *One Hundred and Fifty Pound*, are *Burnt*, which comes to *Ten Shillings* the Houſe. And within the year, Three more. And in Seven Years and a Half, a fourth part of the Town is (by Ten Houſes in a Year) **Burnt** and **Rebuilt**; And no loſs at one time, did Amount to *Four Hundred and Fifty Pounds*, which is *Thirty Shillings* a Houſe: And yet upon Stating the Account, every man hath equally Loſt a Fourth part of his Houſe: Thoſe that were Not Burnt, by paying the *Premiums*, to thoſe that Were Burnt.

And ſuppoſing the **Society** to continue in this Friendſhip Thirty one Years; The whole Number of *Three Hundred and Ten* Houſes Are Burnt; The Ten that were Not Inſured, Were Burnt: And of the *Three Hundred* Inſured, Some were Burnt Twice; Some Thrice; And ſome Never Burnt: And yet there is no Difference between the *Inſured* & *Not Inſured*. Betwixt thoſe that Were Burnt; And Not Burnt. For every Man Loſt his Houſe, and every Man equally Paid for the Loſs. Thoſe that were not Burnt, loſt their Houſes, by Paying for thoſe that were Burnt Twice, and Thrice: Only thoſe that were *Inſured* Loſt their Houſes Yearly, by contributing *Ten* and *Twenty Shillings* at a time, towards one anothers Loſſes; and thoſe *Not Inſured*, loſt their Houſes at Once: But them with this Advantage all the time, They made uſe of their own *Premiums*, Saved the Rent of the Office, and Trouble of Examining Accounts.

But if the Inſtance be made, That the *Three Hundred* Houſes were half Brick, and half Timber, Then the Difference will be Great; for the Timber paying Double *Premium*, and receiving it back Single, they will have loſt their own Houſes, and alſo have Paid for the Loſs of the Brick Houſes.

But the **Fire Office** is Much Better for the **Inſured**; For the Loſs is paid by the **Inſurers**, and their Land is Morgaged for the Payment: For there can be no *Inſurance*, unleſs there be a **Fund Setled**, that is both Certain and Able to make good the Loſs.

Theſe are the *Remarks* I have made, to which I Expect your Anſwer, with your further Order about *Inſuring* your Houſes.

London, *Jan.* 26. 84.

SIR,

Your Humble Servant,

N. B.

LONDON, Printed by *Tho. Milbourn*, in *Jewen-Street*. 1684. Theſe Papers are to be had *Gratis*, at the **Fire Office** on the Back-ſide of the *Royal-Exchange*.

Early English Books Online, Copyright © 2019 ProQuest LLC
Images reproduced by courtesy of British Library